

Message Text

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TO AMEMBASSY SAN JOSE IMMEDIATE

C O N F I D E N T I A L STATE 051200

E.O. 11652: GDS

TAGS: PGOV, PINT, CS

SUBJECT: CHARGES IN U.S. AGAINST ROBERT VESCO

REF: SAN JOSE 923

1. THERE ARE FIVE CRIMINAL INDICTMENTS OUTSTANDING AGAINST ROBERT VESCO. ALL OF THE INDICTMENTS WERE BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (A FEDERAL COURT), AND AND ALL ARE STILL PENDING. THE CASES CANNOT GO FORWARD SO LONG AS MR VESCO REMAINS A FUGITIVE FROM U.S. JUSTICE.

2. THE FIRST INDICTMENT IS CONNECTED WITH VESCO'S ALLEGEDLY ILLEGAL CONTRIBUTION OF \$200,000 TO THE NIXON RE-ELECTION CAMPAIGN IN 1972, IN AN ATTEMPT HEAD OFF AN INVESTIGATION BY THE SECURITIES AND
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EXCHANGE COMMISSION INTO HIS MANIPULATION OF THE INVESTORS OVERSEAS SERVICES FUNDS. THE INDICTMENT CHARGES OBSTRUCTION OF JUSTICE, AND THE UNITED STATES DEPARTMENT OF JUSTICE BELIVES IT IS THEIR STRONGEST CASE, BUT THE OFFENSE CHARGED IS NOT, TO THE BEST OF OUR UNDERSTANDING, EXTRADITABLE UNDER OUR PRESENT TREATY WITH COSTA RICA.

3. THE SECOND INDICTMENT CHARGES CRIMINAL CONTEMPT OF COURT (THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK). IT ARISES OUT OF MR. VESCO'S ALLEGED FAILURE TO COMPLY WITH A FEDERAL COURT SUBPOENA TO APPEAR BEFORE A FEDERAL GRAND JURY IN NEW YORK. TO THE BEST OF OUR KNOWLEDGE, HOWEVER, THIS OFFENSE IS NOT EXTRADITABLE UNDER OUR PRESENT EXTRADITION TREATY WITH COSTA RICA. THE JUSTICE DEPARTMENT ALSO BELIEVES THIS IS A GOOD CASE, BECAUSE IT WAS AN ASSISTANT UNITED STATES ATTORNEY WHO PERSONALLY SERVED THE SUBPOENA ON VESCO.

4. THE THIRD INDICTMENT CHARGES ATTEMPTED FRAUD IN CONNECTION WITH VESCO'S ALLEGED EFFORTS TO CONCEAL THE SOURCE OF THE \$200,000 CAMPAIGN CONTRIBUTION HE ALLEGEDLY MADE IN 1972. THIS IS THE CASE ON WHICH AN EXTRADITION ATTEMPT WAS MADE IN COSTA RICA IN 1973, BUT WHICH WAS DISMISSED ON PROCEDURAL GROUNDS. BECAUSE THE 1973 DECISION IN COSTA RICA DID NOT GO TO THE MERITS OF THE CASE, THE UNITED STATES BELIEVES THIS CASE IS STILL EXTRADITABLE. THIS CASE HAS A CLOSE CONNECTION WITH THE OFFENSE CHARGED IN THE FIRST INDICTMENT (PARA 2 ABOVE).

5. THE FOURTH INDICTMENT IS THE SO-CALLED "BUHL CASE."
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IT CHARGES WIRE FRAUD IN CONNECTION WITH THE TRANSFER OF FUNDS BETWEEN VESCO-CONTROLLED ENTITIES. THE BASIS OF THE CASE IS THAT THE COMMUNICATION ORDERING THE TRANSACTION PASSED THROUGH A COMMUNICATIONS NETWORK IN THE UNITED STATES. THIS CASE WAS THE SUBJECT OF AN UNSUCCESSFUL 1973 EXTRADITION ATTEMPT IN THE BAHAMAS. THE DEPARTMENT OF JUSTICE BELIEVES THE CASE IS STILL EXTRADITABLE IN SPITE OF LANGUAGE IN THE BAHAMIAN COURT'S OPINION THAT THE OFFENSE CHARGED DID NOT CONSTITUTE FRAUD. SUCH LANGUAGE WOULD NOT BE BINDING ON THE COSTA RICAN COURT, ACCORDING TO THE JUSTICE DEPARTMENT'S INTERPRETATION.

6. THE FIFTH INDICTMENT INVOLVES THE BIGGEST CASE OF ALL IN DOLLAR TERMS. THE NINE-COUNT INDICTMENT WAS BROUGHT IN JANUARY, 1976. THE ALLEGED FRAUD CHARGED IN THE INDICTMENT CONSISTED IN THE LIQUIDATION OF SOUND INVESTORS OVERSEAS SERVICES INVESTMENTS AND THE CHANNELLING OF THE FUNDS OBTAINED INTO CLEARLY UNSOUND INVESTMENTS. THE ALLEGED "LOOTING" OF INVESTORS OVERSEAS SERVICES INVOLVED THE TRANSFER OF \$50 MILLION IN IOS FUNDS TO A COMPANY CALLED GLOBAL

VENTURES AND ANOTHER \$60 MILLION IN IOS FUNDS TO A

COMPANY CALLED INTER-AMERICAN CAPITAL. THIS CASE IS
EXTREMELY COMPLEX, AND WAS ONCE CHARACTERIZED AS BEING
"ON THE FRONTIER OF FRAUD." IT WOULD INVOLVE LARGE
AMOUNTS OF DOCUMENTARY EVIDENCE, BUT JUSTICE BELIEVES
IT IS EXTRADITABLE UNDER THE TREATY WITH COSTA RICA. VANCE

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